

NCCI Proposes Decrease for Workers Compensation Advisory Rates and Loss Costs in Illinois

On August 7, 2012, the National Council on Compensation Insurance delivered a workers compensation advisory rate and advisory loss cost filing to the Illinois Department of Insurance. Based upon its review of the most recent available data, NCCI has proposed an overall average workers compensation advisory rate change of -3.8% and an advisory loss cost level change of -3.5% to become effective January 1, 2013. With the implementation of this proposed change, the advisory rate level will be 9.2% below the advisory rate level prior to the 2011 workers compensation reform legislation.

Key Components	Impact
Change in Experience, Trend and Benefits	-4.4%
Offset to Reflect Impact of B-1425	+0.9%
Production and General Expenses	+0.3%
Taxes and Assessments	-0.3%
Loss-Based Expenses	-0.3%
Overall Advisory Rate Level Change	-3.8%

Here are some of the key observations:

- The experience period used in the filing is Policy Years 2009 and 2010.
- Claim frequency has been relatively stable since 2003. This may be attributed to safer workplaces and/or the impact of the economy on workers compensation.
- Medical loss ratios have shown stability in recent years.
- Indemnity loss ratios are showing improvement, with the decrease in average claim cost contributing to indemnity loss ratio decreases in the most recent years.
- The distribution of Illinois benefit costs are 47% medical and 53% indemnity for the experience period.
- The estimated impact of the revisions to the medical fee schedule effective 1/1/12 is included in this filing:

Consolidation of Geozips	- 0.6%
Annual Urban Consumer Price Index	+1.4%
Total Impact	+0.7%

If accepted as filed, the overall average advisory rate impact at an industry group level would be as follows:

Industry Group	1-1-2013 Filing
Manufacturing	-5.9%
Contracting	-12.0%
Office and Clerical	-4.9%
Goods and Services	-2.1%
Miscellaneous	-1.6%
Overall	-3.8%